



TITLE:

Chinese Responses to Malay Hegemony in Peninsular Malaysia 1957-96(<Special Issue>Mediating Identities in a Changing Malaysia)

AUTHOR(S):

Heng, Pek Koon

CITATION:

Heng, Pek Koon. Chinese Responses to Malay Hegemony in Peninsular Malaysia 1957-96(<Special Issue>Mediating Identities in a Changing Malaysia). 東南アジア研究 1996, 34(3): 500-523

ISSUE DATE:

1996-12

URL:

<http://hdl.handle.net/2433/56604>

RIGHT:

Chinese Responses to Malay Hegemony in Peninsular Malaysia 1957-96

HENG Pek Koon*

Owing to their status as an immigrant minority community, the political, social and economic life of Chinese in Peninsular Malaysia (known as Malaya in the period before 1963) has inevitably been shaped by initiatives emanating from the dominant Malay community. According to the latest census figures released in 1995, Chinese form 29.4% of the population in Peninsular Malaysia compared to 57.4% for Malays and 9.5% for Indians [Government of Malaysia, Department of Statistics Malaysia 1995: Vol.1, 40]. This paper examines the impact of Malay hegemony, which emerged with independence in 1957, on Chinese political and economic life. The interplay of Malay ascendancy and Chinese responses over the last four decades has undergone three distinct phases: (1) 1957-69 — Alliance coalition rule; (2) 1970-90 — National Front (Barisan Nasional) coalition rule and implementation of the New Economic Policy (NEP); (3) 1991-present — implementation of the National Development Policy (NDP). During the first phase, Chinese experienced meaningful political participation and made significant economic gains. The second phase saw concentration of power in the United Malays National Organization (UMNO), a concerted implementation of Malay affirmative action policies, and a concomitant marginalization of Chinese political activity. In the current phase, NDP policies, shaped by the objectives of Prime Minister Mohamad Mahathir's "Vision 2020," have produced a political and economic climate more conducive to Chinese interests.

Before turning to a discussion of Chinese political and economic activities in the country, I would like to first consider the manner in which the three core ethnic identifiers of "Malayness" — *bahasa*, *agama*, *raja* (language, religion and royalty) — have been utilized by the Malay political leadership in public policies to reflect Malay hegemonic status in the Malaysian polity.

Malay Nationalist Definitions of "Malayness"

Deeply disruptive political, economic and social pressures resulting from British colonial rule and mass immigration of Chinese and Indians to Malaya produced a crisis of Malay self-identity in the latter part of the nineteenth century. From the 1900s until independence, Malay intellectuals such as Syed Sheikh Alhady, Za'aba and Ishak Haji Muhammad grappled with the problem of defining the core elements of the Malay *bangsa* (race). The leadership of the Malay nationalist movement, represented by three factions — the administrator-aristocrat or "administocrat" faction, the Malay left and the Islamic movement — agreed on three key

* School of International Service, The American University, Washington, D. C., U. S. A.

attributes of “Malayness”: *bahasa*, *agama*, *raja* (language, Malay religion or Islam, and royalty or Sultan) [Shamsul 1996a: 5]. While agreement existed that Malay should serve as the sole official and national language in an independent Malaya, the three factions differed on the order of importance regarding the role of royalty and Islam. The “administrators” emphasized the role of royalty as the custodian of Malay culture and Islam; the Malay left recognized the importance of Islam but rejected a “feudal” polity dominated by the traditional ruling class; and the Islamic leadership was committed to its ideal of replacing the secular state with an Islamic one [*ibid.*: 5].

The Malay nationalist leadership agreed on a common political, economic and cultural agenda. The first, and most pressing priority, was to regain sovereignty and control of their homeland from the British. The economic agenda of redressing Malay backwardness and closing the income gap between Malays and Chinese was to be achieved after the attainment of Malay political hegemony. The cultural agenda was to build the new nation state on Malay cultural attributes: Islam and the Malay language. As seen further on, these objectives were achieved at various stages after World War II. Malay political and cultural ascendancy was initially acknowledged by the British in the 1948 Federation of Malaya Agreement, and subsequently entrenched with the promulgation of the 1957 independence constitution. The economic agenda, however, was not implemented until after 1969.

Chinese Political and Cultural Orientations in the Colonial Era

In contrast to the Malays, Chinese resident in Malaya did not engage in the debate of defining “Chineseness” for they already had a strong sense of their ethnic identity. Chinese who emigrated to Malaya were “Han Chinese,” an ethnic label derived from the Han Dynasty (206 BC-221 AD), to differentiate them from the “non-Chinese” peoples, such as the Mongols and Manchus. Although coming in the main from peasant and coolie backgrounds, Chinese immigrants in Malaya had a cultural identity inherited from a 3,000 year old civilization underpinned by Confucian values and precepts. To them, China, the Middle Kingdom, had long been the regional hegemonic power in Eastern Asia.

From the early days of mass immigration in the middle of the nineteenth century until World War II, Chinese in Malaya were given considerable independence by the colonial authorities in running their internal affairs [Purcell 1967]. Consequently, they developed strong habits of autonomous political, economic and cultural behaviour. Chinese social organizations were based on prototypes which had developed in China. The three principal institutions that were transplanted to Malaya were the lineage group (clan) association, the voluntary association based on affiliations of common locality, common dialect and/or common craft, and the secret society. The extensive network of associations, numbering over 4,000 today [Government of Australia, Department of Foreign Affairs and Trade Australia 1995: 50] met the needs of the immigrant population in Malaya, which over time evolved from a predominantly male pioneering workforce into a demographically balanced and settled

community by the late 1930s. These associations, together with the hundreds of schools established and financed by local private initiative, served as potent transmitters of core Chinese values in the colonial period.

Leadership within the Chinese community had, for the most part, been exercised by successful merchant-entrepreneurs drawn from the mining, plantation, small scale manufacturing and retail and distribution sectors. In traditional China, merchants had never exercised political power, nor had they sought it. Confucian social and political philosophy placed the merchant at the bottom of a four-tier social hierarchy, beneath the scholar-gentry, peasant and artisan classes. Freed from the constraints of Confucian-based governance, the Chinese immigrant community in Malaya developed new criteria of leadership status. As wealth was widely considered the most significant criterion of leadership in emigrant societies, merchants assumed leadership roles [Wang 1966].

Chinese nationalist activities emerged at the turn of the twentieth century. There were three major nationalist streams. The first two, the Kuomintang Malaya (KMTM, formed in 1913) and the Malayan Communist Party (MCP, formed in 1930) appealed to the well spring of China-centred patriotism to gain the support of the Chinese community in Malaya. In their rivalry for the Chinese hearts and minds, the MCP won the support of most of the Chinese schools and labour organizations. The KMTM, on the other hand, received greater backing from the more conservative merchant leadership of the Chinese associations. Although the colonial government attempted to control both parties, subjecting the Communists in particular to severe reprisals, it failed to curb the spread of anti-imperialist and China-centred nationalist sentiments within the community. During the late 1930s, KMTM-MCP cooperation in the National Salvation Movement to mobilize Chinese financial and manpower backing for the anti-Japanese campaign in China brought Chinese nationalism in Malaya to its peak.

Unlike the China-oriented KMTM and MCP, the third political stream of Chinese nationalist leadership, the Straits Chinese British Association (SCBA), was formed in 1900 to represent the very small minority interests of English-educated professionals and entrepreneurs within the *Baba* (Straits Chinese) population, was Malayan-oriented in political outlook. Leaders such as Tan Cheng Lock believed that Chinese resident in Malaya needed to be weaned from China-centred preoccupations and inculcated with a Malaya-centric political identification. Serving as a representative in the Straits Settlements Legislative Council during the 1930s, he frequently urged the British authorities to prepare the country for self-rule and to adopt policies to foster loyalty to Malaya among the three races [Heng 1988: 27-28].

In 1941, on the eve of World War II, the Chinese population in the Straits Settlements and Malay States had exceeded Malays by 43% to 41% [Purcell 1967: Appendix III]. The existence of large urban concentrations of majority-status and culturally distinctive Chinese settlements, especially along the west coast of the peninsular, not surprisingly resulted in a widespread Chinese desire for an independence arrangement that would make them the political equals of the Malays. At the same time, the community's cultural and political orientation was strongly China-centric. Only the small, Western-educated group led by the SCBA identified politically

with Malaya.

Chinese Economic Activities in the Colonial Period

During the colonial period, Chinese business activities were concentrated mainly in the production of tin and rubber, in haulage and transportation, light manufacturing, rice milling and food processing, and in the distributive and service trades. Because the Chinese economic role was both diverse and widespread, it gave rise to the misconception that they dominated the economy. While it is true that the Chinese economic role was much bigger than that of Malays who were mainly subsistence rice farmers and rubber smallholders, and Indians who were mainly rubber plantation workers, Chinese capital played a subordinate role to Western, primarily British capital. The large majority of Chinese were lowly paid wage-earners employed in tin mines, rubber plantations and unskilled urban sector jobs. A minority were self-employed small proprietors and even fewer were affluent capitalists [Puthuchearry 1960: 123-125].

British firms dominated the colonial economy, especially the import-export sector and the two mainstay tin and rubber industries. Chinese entrepreneurs were mostly middlemen and compradores of British capital, collecting produce for exports and distributing and retailing imports. As late as 1970, 13 years after independence, British capital still dominated the Malaysian economy: foreign (mainly British) ownership of corporate equity in Peninsular Malaysia was 63.3%, the non-Malay (mainly Chinese) was 32.3%, and the Malay share was 2.4% [Government of Malaysia, *The Second Outline Perspective Plan* 1991: 49]. Since the Malay Reservations Enactment of 1913 restricted Chinese access to agricultural land, few Chinese became rice farmers. At the same time, Chinese had little incentive to put their savings in land as it was more profitable to invest in enterprises with quick turnover. Wage earners with sufficient savings turned to trade because it presented opportunities for self-employment and upward mobility, and for keeping capital liquid for handy remittance to China.

Compared to the Malays, Chinese had superior access to capital and credit through their associations, and Chambers of Commerce which were established in Malaya after 1906. These organizations served as networks for members to gather and exchange information on market conditions, and as sources of credit and capital for starting or expanding one's business. At the same time, due to a shared Confucian heritage extolling values such as *li* (propriety or gentlemanly conduct), *xinyong* (trustworthiness) and *guanxi* (importance of social relationships), Chinese business activities were underpinned by trust and strong obligation to fulfill business commitments [Redding 1993]. This business modus operandus considerably lowered the costs and risks of business transactions for Chinese entrepreneurs. Almost all Chinese businesses were (and have remained) enterprises owned and controlled by families. They continue to be paternalistic organizations with decision making powers concentrated in the founder who is helped by other family members.

Decolonization and Independence

For a brief period during the first phase of decolonization (1946-47), it appeared that Chinese might enjoy equal political and economic rights in independent Malaya. The Malayan Union proposals sought to centralize the three administrative units (the Straits Settlements, the Federated Malay States and the Unfederated Malay States) and to create a common citizenship giving equal rights to Malays and non-Malays as a first step toward Malayan self-rule. However, the British government was forced to abandon its plan in the face of determined Malay opposition led by the newly-formed UMNO. UMNO adamantly objected to the plan because it failed to acknowledge Malay sovereignty and gave full rights to Chinese, thus threatening Malays with Chinese political and economic domination.

Stymied by the UMNO's massive mobilization of the Malay population against the scheme, the British replaced the Malayan Union with the Federation of Malaya Agreement in February 1948 after consulting with the Malay "administratocrat" faction of the nationalist movement. The new arrangement satisfied the Sultans' demand for a federal system which recognized the sovereignty of each ruler in his state. UMNO's objectives of Malay special rights, restricted citizenship for non-Malays, and the exclusion of Singapore from the new Federation were also met. Of the 59% of the total population who subsequently applied for Malayan Federation citizenship, 78% of those eligible were Malays and only 12% were Chinese [Heng 1988: 149].

Shortly after the establishment of the Malayan Federation, the MCP started an insurrection in an attempt to seize power. In the wake of the Japanese surrender in August 1945, the MCP emerged as the ascendant political force in Malaya. When the British returned and set up the British Military Administration (BMA) in September 1945, the MCP operated for several months as an alternative government alongside the BMA in about 70% of the small towns and villages with a predominant Chinese population [Cheah 1983: 167]. Symbolising leftwing Chinese ambitions of political dominance, the ascendancy of the MCP, although shortlived, was nonetheless a key landmark in the development of Chinese politics in Malaya.

While the party was theoretically committed to the establishment of a multiracial Communist state, its Sino-centric outlook and policies held little appeal for non-Chinese. For example, during the debate in May 1946 arising from the Malayan Union proposal to grant equal citizenship rights to Chinese in Malaya, the MCP, while welcoming the move, argued that Chinese in Malaya be entitled to dual Malayan and Chinese citizenship. More damaging to its image in the eyes of Malays was its contention that while dual citizenship obligated Chinese to be loyal to Malaya and China, ultimate allegiance should be owed to China in the event of conflict between the two countries [Heng 1988: 42].

Prompted by the urgent need to mobilize an effective alternative Chinese leadership to assist in counter-insurgency campaigns, the British authorities actively promoted the formation of the Malayan Chinese Association (renamed Malaysian Chinese Association after 1963) in 1949. The MCA brought together, for the first time, three strands of pre-war Chinese leadership: Chinese-educated pro-KMTM merchant-entrepreneur leaders representing the

interests of Chinese associations, Chinese educationists organized in the Dong Jiao Zong (United Chinese School Teachers and School Committees Association) and English-educated professionals in the SCBA.

Founder-leaders of the MCA included Tan Cheng Lock (who served as the party's first president), his son, Tan Siew Sin (who served as Finance Minister from 1961-73), H.S. Lee (who helped formed the Associated Chinese Chambers of Commerce (ACCC) and served as its first chairman), and Leong Yew Koh (who became the first governor of Malacca).

After successfully aiding the British authorities during the early Emergency years in providing welfare assistance to half a million Chinese rural "squatters" forcefully resettled in 440 New Villages [*ibid.*: 104], the MCA leadership played the historically pivotal role of representing Chinese interests at the independence negotiations. UMNO-MCA cooperation in the independence movement was motivated by British insistence that power would be devolved only to a multi-racial Malayan political leadership. The first generation of top-ranking UMNO and MCA leaders had in common both an English-education background, and a mutual desire to achieve self-rule at the earliest possible date.

The UMNO-MCA Independence Negotiations

After forming the Alliance (joined later by the Malayan Indian Congress) which won the country's first federal election in 1955, UMNO and MCA leaders worked out a blueprint for the independence constitution. In conceding to the UMNO on the following issues — special position of the Malay rulers, Islam as the state religion, Malay as the sole national language, lack of official status for Mandarin, and special rights treatment for Malays — the MCA had, in fact, acquiesced to Malay hegemonic status in the new nation state.

The MCA had little choice but to accommodate the UMNO since the Federation of Malaya Agreement of 1948 had already discriminated against Chinese interests by guaranteeing Malay special rights and restricting non-Malay access to citizenship. MCA leaders thus focused on attaining citizenship based on *jus soli* (i.e., determined by place of birth) in order that Chinese would be able to play a legitimate role in the political process after independence. At the same time, the MCA had insisted on the inclusion of Article 153 in the constitution, which reads — "Nothing in this Article shall empower Parliament to restrict business, or trade solely for the purpose of reservations for Malays" — to safeguard Chinese commercial interests from being eroded by Malay special rights. In addition, the MCA negotiators obtained a verbal commitment from Tunku Abdul Rahman that Malay special rights would be reviewed after a period of 15 years following independence, and eventually terminated [Heng 1988: 236].

There was, however, widespread Chinese dissatisfaction with the MCA-negotiated deal. Chinese opposition to the constitutional proposals coalesced in the formation of a MCA breakaway movement called the Council of Registered Chinese Guilds and Associations led by Perak-based Chinese-educated merchant Lau Pak Khuan, who sought a new deal containing equal citizenship rights and official language status for Mandarin. Stonewalled by the UMNO

and rebuffed by the British, the breakaway movement was shortlived and futile, leaving Chinese community leaders with no choice but to accept the MCA-brokered agreement.

The Dilemma of Minority Chinese Political Leadership

Since independence in 1957, the Chinese have been represented by at least one government party (primarily the Malaysian Chinese Association, MCA) and one or more Chinese-based opposition parties (primarily the Labour Party until the early 1960s and after that by the Democratic Action Party, or DAP). Whether as part of the ruling coalition or in opposition, Chinese and Chinese-based political parties have sought to represent the community's bedrock interests: rights of full citizenship, unrestricted opportunity for economic advancement, preservation of the Chinese language and Chinese schools, and outlets for public cultural expression. The pursuit of these objectives by Chinese political leadership reflects not only a desire to take full part in the Malaysian polity, but also a deeply felt need to preserve and promote a cultural legacy inherited from China.

Independence for Malaya in 1957 paradoxically brought significantly less "self-rule" for the Chinese as it ended the autonomy they had enjoyed in running their community affairs. For the first 12 years, until the race riots of 1969, the Chinese resisted accepting their status as a minority subordinate to Malay rule. Lucien Pye, in his culturally-based interpretation of Chinese political behaviour in Malaysia, argued that Confucian culture provided no guidelines for Chinese leaders to function in a non-Confucian context: "The Chinese concepts of authority are entirely premised on the assumption that both the omnipotent leader and his dutiful subordinates are Chinese; that a Chinese leader should be the subordinate of a "foreigner" is culturally unthinkable ... any Chinese who acts as a leader must be an imposter, if he is subservient to the Malay majority leadership" [Pye 1985: 251]. Pye's observation highlights two central characteristics of Chinese political behaviour in the period before 1969: the unrealistically high assumption that Chinese would be treated as the equals of Malays; and the scorn shown to MCA leaders who accommodated Malay interests and played second fiddle to the UMNO in the Alliance government. MCA leaders who supported the pro-UMNO constitutional deal were characterized as self-serving *towkays* (merchants) who sold off Chinese rights and who were willing to serve as UMNO lackeys in order to reap the spoils of political office. Chinese dissatisfaction with the constitutional deal contributed significantly to the party's declining popularity after independence.

Alliance Coalition Government 1957-69

Democracy based on "elite accommodation" — which entailed mobilization of each ethnic group by its elite which in turn sought rank and file compliance for policies agreed [Means 1991: 2] — and laissez-faire capitalism favoured by Prime Minister Tunku Abdul Rahman, who headed the Alliance coalition government from 1957-69, resulted in Chinese playing a meaningful

political role and making significant economic gains. Chinese political parties, with the exception of those with suspected MCP ties, had freedom of political expression and unimpeded political mobilization.

Efforts to raise Malay welfare during this period failed primarily because MCA leaders in the Alliance government successfully persuaded the Tunku to pursue a low-key and gradualistic special rights programme, as well as to avoid policies which were detrimental to Chinese business interests. MCA influence in determining economic policies was evident as early as 1955 when party leaders successfully persuaded the UMNO to drop its economic manifesto for the federal election in favour of one produced by the Chinese leadership.

The UMNO memorandum contained policies similar to those subsequently implemented under the NEP 15 years later. It recommended "drastic and direct Government involvement" in education, agriculture, industry, trade and commerce to ensure "rapid and active participation in the economic life of the country" for Malays. Some proposals were even more radical than any NEP policy. For example, the memorandum declared that only state-owned cooperatives should be allowed to process, transport and market Malay agricultural produce, and "all other private undertakings should be abolished by law" [Heng 1988: 209]. Measures outlining preferential treatment for Malays in obtaining scholarships, gaining access to educational institutions, getting business licenses and bank loans, and securing employment opportunities in the private sector were also included.

The MCA leadership nipped the bud of Malay economic nationalism at this crucial juncture by deploying the following arguments: first, that a curtailment of Chinese business interests would not alleviate Malay poverty because the wealth of Malaya lay primarily in the hands of British and other western concerns; second, and more important, that the fledgeling Alliance Party could not afford to alienate the Chinese vote since it wanted to win the election as a credible multiracial coalition. Last, but not least, the MCA wooed UMNO compliance by bearing most of the elections costs [*ibid.*: 164-165].

The Alliance election pledges, which subsequently served as the economic policies of the Alliance government, were put together by H.S. Lee, a prominent Sino-capitalist and president of the Associated Chinese Chambers of Commerce. They eschewed state interventionist policies, and emphasized a strong commitment to free enterprise and laissez-faire capitalism [*ibid.*: 207].

MCA leaders at that time accepted a limited programme of Malay special rights provided non-Malay interests were unharmed. In another election policy paper prepared by Leong Yew Koh entitled "Memorandum on the Economic Aid to Malays," the MCA agreed in principle to the following Malay special rights: loans to be made available by state-run banks; more education and training centres to be set up to equip Malays with the necessary skills to participate in commerce and industry; more licenses for Malay in forestry, saw-milling, tin mining rubber and other agricultural produce enterprises, and in operating businesses such as hotels, restaurants, petrol kiosks and public transportation; land to be set aside in urban centres for Malays to run their businesses, and only where absolutely necessary, introduction of laws to promote Malay economic interests [*ibid.*: 210].

While clearly subordinate to the UMNO in the period after independence, MCA national leaders nonetheless continued to play a key role in shaping economic policies. Party president Tan Siew Sin was Minister of Commerce and Industry from 1957-61, and Minister of Finance from 1959-74. The party's influence during this period stemmed from Tan Siew Sin's strong personal relationship with the Tunku, as well as the latter's belief that business-oriented MCA leaders could more competently chart the country's economic course than UMNO leaders with landed aristocratic, bureaucratic or educationist backgrounds.

As Finance Minister, Tan Siew Sin prevailed on the Tunku to pursue a minimalist Malay special rights policy. The clearest manifestation of Siew Sin's political clout was his role behind the sacking of Agriculture Minister Abdul Aziz Ishak in early 1963. Objecting to Aziz Ishak's plan to set up state-operated milling cooperatives to help Malay farmers lessen their dependence on Chinese rice millers and distributors, Siew Sin prevailed on the Tunku to dismiss Aziz. The Tunku's remarks on that occasion underlined his strong commitment to the principle of fair play: "... he [Aziz] has confiscated all the licenses of Chinese rice millers in northern Perak and Province Wellesley with which to win Malays. But this way of doing things was wrong: it was like the adage "robbing Peter to pay Paul" [Tunku Abdul Rahman 1977: 243]. It is clear, therefore, that as long as the Tunku was unwilling to advance Malay welfare at the expense of holding back Chinese business interests, an effective policy of Malay special rights could not take place.

The workings of the free market and open competition brought unprecedented opportunities for the expansion and diversification of Chinese economic activities. From the mid 1950s to the late 1960s, under the Alliance coalition government's laissez-faire regime which promoted import substitution industrialization, small and medium sized Chinese enterprises established a strong presence in light manufacturing, food processing, and production of household consumer goods. Rapid urban expansion resulted in active Chinese participation in the real estate and construction industries. At the same, Chinese entrepreneurs expanded their networks in traditional stronghold industries such as distribution and retail, and transportation services.

Although the Alliance government had established MARA (Majlis Amanah Rakyat, or Council of Trust for the Indigenous People) to widen opportunities for Malay entrepreneurs, and the Federal Land Development Authority (FELDA) to improve Malay rural incomes, the Malay-Chinese income disparity got worse. In 1957, the Malay and Chinese mean monthly household incomes stood at M\$144 and M\$272 respectively; by 1970, the figures were M\$172 and M\$394 [Faaland 1990: 147]. At the same time, Malays formed 74% of those living below the government-designated poverty level, compared with a 25% poverty incidence rate for Chinese, and 39% for Indians [Government of Malaysia, *The Third Malaysia Plan* 1976: 74].

While taking a soft stance on Malay economic nationalism, the Tunku was nonetheless firmly committed to the notion of Malay political and cultural hegemony. In July 1959, he acted decisively against an attempt for greater Chinese rights launched by Lim Chong Eu who had succeeded Tan Cheng Lock as party president. In July 1959, on the eve of the first general election held after independence, Lim Chong Eu demanded that the UMNO granted Chinese more

cultural and political rights by recognizing Mandarin as an official language, and by increasing the MCA's share of parliamentary seats to contest from 31 to 40 seats, on the argument that Chinese voters had increased to form a majority in 39 parliamentary constituencies [Heng 1988: 256]. The Tunku refused to entertain Lim Chong Eu's demands, stating instead that the Alliance would contest the election without the MCA. Threatened with the prospect of expulsion from the Alliance, the MCA General Committee deserted Lim Chong Eu, by a close vote, and threw their support to the accommodationist faction headed by Tan Siew Sin and Ong Yoke Lin.

Elected as party president in 1961, Tan Siew Sin supported the Tunku's initiatives on Malay cultural hegemony represented by the 1961 Education Act and the 1967 National Language Bill. The first bill ended state funding for Chinese education beyond the six years of primary instruction and permitted conversion of Chinese language primary schools, known as National Type Schools, into National Schools with Malay as the medium of instruction. The second bill established Malay (Bahasa Malaysia) as the sole official and national language. However, Tan Siew Sin's concessions to the UMNO on Chinese cultural interests cost the party the support of the Chinese associations and other powerful pressure groups, including the Chinese press and Chinese education bodies.

The Rise of Chinese Opposition Politics

Chinese-based opposition parties were formed and led mainly by English-educated Chinese political activists aggrieved by the implementation of Malay special rights, although the pace of Malay affirmative action was slow and its scope limited in the pre-New Economic Policy (NEP) period. While the primary appeal of Chinese-based opposition parties lay in their assertive championing of Chinese interests, their ideological orientation to the left of the MCA was also important in attracting Chinese votes, especially from lower income groups.

The most significant Chinese-based opposition party during the late 1950s and early 1960s was the Labour Party which was founded in 1954 by a multiracial, but largely Chinese, English-educated leadership that espoused a moderate socialist programme. In 1957, the Labour Party formed an anti-Alliance front, the Barisan Socialis (Socialist Front) with the leftwing Malay-based Party Rakyat (People's Party). Cooperation between the two parties lasted until 1966 when a more radical group of Chinese-educated leaders captured the leadership of the Labour Party. As the Labour Party became more stridently chauvinistic in its championing of Chinese rights, they lost the support of the Party Rakyat [Means 1976: 393].

Two smaller regional Chinese-based opposition parties competed with the Labour Party for the Chinese vote during this period: the Perak-based People's Progressive Party (PPP) and the Penang-based United Democratic Party (UDP). Although led by two Sri Lankan brothers, D.R. and S.P. Seenivasagam, the PPP successfully capitalized on issues which affected the disgruntled Chinese majority electorate of the Kinta region. The UDP was formed by Lim Chong Eu, the former MCA president who left the party after failing to extract from the UMNO a number of

political and cultural concessions for the Chinese in July 1959. No serious Chinese opposition challenge to the MCA existed until the formation of Malaysia and the inclusion of Singapore in the new federation in 1963. The charismatic leadership of Singapore's Lee Kuan Yew and his feisty articulation of egalitarian principles under the "Malaysian Malaysia" slogan — that Malays and non-Malays should enjoy equal political, cultural and political rights — appealed greatly to Chinese voters.

Lee Kuan Yew's "Malaysian Malaysia" campaign deeply polarised ethnic politics in the country. Mahathir Mohamad, then a relatively new backbencher, first caught the attention of the Malay public by his "ultra nationalist" statements, such as that denouncing the PAP as a "pro-Chinese, communist-oriented, and positively anti-Malay" organization [Khoo 1995: 19]. The politically destabilizing impact of Lee Kuan Yew's actions led to the Tunku's decision to ask Singapore to leave Malaysia in 1965. However, the PAP's equal rights crusade was picked up by the newly-formed Malaysian-based Democratic Action Party (DAP). Seen to be the PAP's successor, Lim Kit Siang's party remains dedicated to a "free democratic and socialist Malaysia, based on the principles of racial equality and social and economic justice" [Means 1991: 4]. The championing of "social justice," "racial equality" and other egalitarian principles by the DAP (and other Chinese-based opposition parties), however, has been identified by Malays with the fight for Chinese rights. The DAP has sought to represent Chinese in lower socio-economic groups, particularly Chinese of the New Villages. At the same time, it has also attracted considerable Chinese urban middle class support.

To compete with the DAP for the Chinese opposition vote, the Gerakan Rakyat Malaysia (Malaysian People's Movement) was formed in 1968 by a multiracial leadership of trade unionists, professionals and university lecturers, which included former MCA and UDP leader Lim Chong Eu and former Labour Party leader Tan Chee Khoo. Conceived as a moderate social reform party to work for the principles of social justice, human rights and an open democratic system, the Gerakan has been more committed than other Chinese-based parties to a multiracial, integrationist approach to Malaysian politics.

In the 1959 and 1964 general elections, the MCA fended off the Chinese opposition by relying on pro-UMNO Malay votes to augment its minority share of Chinese votes in racially-mixed constituencies. However, in 1969, Chinese voters deserted the MCA. The party was trounced by the DAP and Gerakan, holding on to only 13 out of 33 contested seats and 13.5% of the total vote. The Chinese opposition gained 26% of the total vote and 25 parliamentary seats [Vasil 1972: 85]. The UMNO also suffered significant electoral losses (though less than the MCA) at the hands of its major rival, the Pan-Malaysian Islamic Party (PAS) which had successfully appealed to Islamic sentiments and capitalized on widespread Malay discontent at the fact that the UMNO's Malay special rights programme had failed to redress the problem of Malay economic backwardness.

Stung by the rejection of the Chinese voters and by UMNO criticisms of its poor performance, the MCA leadership decided to pull out from the government, but not from the Alliance. The MCA decision exacerbated tensions already caused by the DAP victory parade

in Kuala Lumpur. At a counter-demonstration organized by UMNO activists on 13 May, racial violence broke out. In the several days of rioting which followed, some 6,000 Kuala Lumpur residents, about 90% of whom were Chinese, lost both home and property. Official statistics claimed a death toll of 178, a figure which non-government sources considered too low [Slimming 1969: 48].

The bitter experience of the riots revealed to Chinese the indisputable fact of Malay superior power backed up by overwhelming Malay-controlled military and police forces. The hard lesson learnt was that, in a showdown, the Chinese lacked the means to impose their will on any issue of fundamental concern to Malays. This realization resulted in a lowering of expectations and a gradual acceptance of their politically subordinate position in a Malay-dominated state after 1969.

The Chinese under the UMNO-dominated State 1970-91

Emergency rule by the UMNO-dominated National Operations Council replaced parliamentary democracy in the country for 20 months in 1969-70. In September 1970, Tun Abdul Razak, who replaced the Tunku as Prime Minister, re-introduced the multiracial coalition in the form of the expanded Barisan Nasional (BN). Tun Razak's key objective after 1969 was to implement UMNO's long overdue objective of redressing the problem of Malay economic weakness through the implementation of the New Economic Policy. To achieve this, the UMNO leadership deemed it necessary to reassert UMNO control over the entire political process; to neutralize the Chinese and Malay opposition by preventing racial politicking; and to get representative institutions to comply with its decisions.

The consolidation of UMNO authority was achieved primarily through constitutional amendments in 1971 which severely limited the parameters of political debate. The new amendments prohibited any act, speech or publication on "fundamental issues" that would incite racial animosity: for example, Malay special rights, non-Malay citizenship rights, the position of Islam and the status of Malay as the sole national language.

A second measure utilized by the UMNO to tighten Malay control over the political process was the creation of constituencies which inflated the strength of the Malay rural vote. In 1959 the percentage of Chinese voters and Chinese-majority parliamentary constituencies proportionately reflected their numbers in the total population: 36% and 36.5% respectively [Ratnam 1965: 202]. Although the principle of weightage for rural areas established by the independence constitution, which set a limit on rural over-representation at 15%, was removed in 1962, Malay voting strength was inflated after the race riots, particularly during the 1984 apportionment which resulted in Malays forming a majority in 70% of parliamentary constituencies. The disproportion between the largest (mainly Chinese urban) and smallest (Malay rural) constituencies is presently so great that some non-Malay majority constituencies have three times the population of the smallest Malay-majority constituencies [Means 1991: 135].

A final change made after 1969 was the cooption of opposition parties into the Barisan Nasional. The entry into the BN of the Gerakan and PPP meant that the MCA was no longer the sole government party representing Chinese interests. It also meant the embrace of accommodationist politics by the Gerakan and PPP, leaving the DAP as the only significant Chinese opposition party.

As the embodiment of Malay economic nationalism, the NEP touched on virtually all aspects of Malaysian life. Through the NEP the nation was committed to an ambitious 20-year policy of reducing the level of (Malay) poverty in the country, but more significantly, to increasing the Malay share of the national wealth while integrating Malays into the urban economic sector. The success of the policy was to be measured chiefly in terms of numerical targets set for Malay and non-Malay ownership of corporate equity: between 1970 and 1990, the Malay share was to increase from 2.4% to 30%, the non-Malay (mainly Chinese) share from 32.3% to 40%, and the foreign share to drop from 63.3% to 30% [Government of Malaysia, *The Second Outline Perspective Plan* 1991 :49]. The UMNO initiated legislative and executive measures establishing hundreds of new state agencies and bodies whose primary purpose was to acquire economic assets on behalf of Malays. The scope of preferential policies was dramatically widened to maximize Malay opportunities in almost every sphere of social and economic activity.

MCA Responses to the NEP

The MCA, with a claimed membership of 600,000 [Malaysian Chinese Association, *Secretary-General's Report* 1994: 11], which makes it the world's third largest Chinese party, after the Communist Party of China and the Kuomintang in Taiwan, has remained the largest and best organized Chinese-based party in the BN. Following its poor electoral performance in 1969, and in the face of profound political and economic restructuring in the country, the MCA leaders worked, with mixed results, to change the party's towkay image and to widen its popular appeal.

In the early 1970s, the party launched a "Chinese Unity Movement" to generate Chinese political solidarity under its leadership. The campaign, especially the activities of the MCA Perak Task Force, drew enthusiastic backing from a wide spectrum of Chinese socio-economic groups: English-educated professionals, Chinese educationists, merchant-entrepreneurs and thousands of youths from the New Villages [Loh 1982]. Unfortunately, the movement's very success brought about its demise. While the UMNO undoubtedly wanted a Chinese coalition partner which had credibility with Chinese, it perceived the chauvinistic overtones of the campaign to be dangerously inflammatory. In June 1973, a newspaper blackout on the campaign was imposed. Soon after, Tan Siew Sin expelled the movement's Young Turks leaders, many of whom defected to the Gerakan Party.

When ill health caused Tan Siew Sin to resign as party leader and Finance Minister in 1974, the MCA became less relevant to Chinese business interests. From that time, Chinese business leaders increasingly found it more advantageous to deal directly with Malay patrons in

the UMNO, the royal families and the upper reaches of the bureaucracy.

Succeeding Tan Siew Sin as party president, Lee San Choon initiated several ambitious projects to address Chinese concerns. However, apart from the NEP, the government's New Educational Policy and National Cultural Policy also adversely affected Chinese interests. The New Educational Policy made Malay the main language of instruction in state schools and universities after 1970, and restricted Chinese access to university placements and scholarships. The National Cultural Policy, introduced after 1971, aimed at propagating a Malaysian national culture based almost exclusively on Malay and Islamic elements.

Two out of three of Lee San Choon's most ambitious projects during his tenure of office (1974-83), the establishment of Tunku Abdul Rahman (TAR) College and the building of a new multi-storeyed party headquarters, were realized. TAR College has enabled thousands of Chinese secondary school graduates unable to gain admission to state universities to obtain a tertiary education. The third project, the Multi-Purpose Holding Berhad (MPHB) business conglomerate, for reasons examined further on, ended in failure.

When Lee San Choon stepped down as president, the party was seriously weakened by a destructive 20 month-long leadership struggle between Neo Yee Pan and Tan Koon Swan, as well as the failure of several MCA-sponsored loans and savings cooperatives (known as Deposit Taking Cooperatives). In 1986, Ling Liong Sik, the new party chief, divested the MCA of its business holdings in MPHB, and focused party attention on Chinese education and cultural issues to rebuild party support.

The issue of Chinese education, in particular, has remained of fundamental concern to the Chinese community. In the late 1980s, close to 90% of Chinese parents were still sending their children to Chinese Primary National Type Schools [Malaysian Chinese Association, *Report of the MCA National Task Force* 1988: 89]. In the absence of state financing at the secondary level, some 60 schools supported by private funding presently exist to meet the demand for Chinese secondary education. Chinese-educated voters remain the most important constituency for Chinese political parties, although the numbers of younger generations of Malay-educated but Chinese-speaking voters are fast expanding.

While Ling Liong Sik has appealed to Chinese communal sentiments to cultivate Chinese support, primarily through his ambitious expansion program for TAR College, he has also steered the party towards a hitherto untrodden multiracial path. In 1993, he launched the party's "One Heart, One Vision" campaign to encourage Malaysian Chinese to be more multi-culturally oriented. Pointing to evidence of a slow but steady process of inter-ethnic acculturation, as reflected by the blending of favours in Malaysian cuisine and reciprocal participation in each other's festivals, Ling argued that the different races have not become "less Malay, or less Indian or less Chinese but all have become more Malaysian" [Malaysian Chinese Association, *Secretary-General's Report* 1993: 9]. In 1994, the MCA made its first meaningful move away from Chinese exclusivity when party rules were amended to admit members of mixed ethnic descent, so long as one parent is Chinese. By breaching the exclusive Chinese political culture of the MCA, Ling's call to Chinese to adopt a multi-cultural Malaysian

identification represents an important milestone in the maturation of MCA politics in Peninsular Malaysia.

Responses from the Chinese Opposition

In five general elections (1974, 1978, 1982, 1986 and 1990) before its severe setback in 1995, the DAP's share of the Chinese vote was larger than the MCA or the Gerakan. Lim Kit Siang led the party to its greatest electoral performance in 1986 when the party won 24 parliamentary seats, capturing 20.3% of the popular vote (approximately two thirds of the total Chinese vote) [Means 1991: 186].

The DAP demonstrated spirited leadership on Chinese issues, as well as calling for more press freedom, less corruption and more accountability from government leaders. In contrast, as members of the ruling coalition, the MCA and Gerakan generally held back from publicly criticizing UMNO policies deemed detrimental to Chinese interests. While the DAP's vocal watchdog role won it the Chinese protest vote, the party leadership frequently found itself in trouble with the authorities. Party chief Lim Kit Siang was incarcerated under the Internal Security Act twice, after the 1969 racial riots and in 1987.

Although the DAP has consistently won a majority share of Chinese votes until the 1995 general elections, it has never succeeded in capturing enough votes to exercise power at the state level, unlike the Malay opposition party Party Islam (PAS), which has enjoyed several terms of power in Kelantan. In the 1995 elections, the DAP sustained its greatest losses to date: its seats in parliament dropped to 9 from 20, and it was obliterated in the closely-watched Penang state election, winning only a single seat compared with 14 previously [Far Eastern Economic Review, 4 May 1995].

The DAP's heavy electoral losses signified a sea change in Chinese voting behaviour brought about primarily by the country's successful economic performance under the leadership of Prime Minister Mahathir, and also by the realization that accommodationist politics are the only feasible option for Chinese political participation.

The National Development Policy and "Vision 2020" 1991-present

When the NEP ended in 1991, official figures showed it had succeeded in achieving its major goals. The poverty rate in Peninsular Malaysia (defined in 1970 at RM\$33 per month) was reduced from 49.3% of the population in 1970 to 15% in 1990 [Government of Malaysia, *The Second Outline Perspective Plan* 1991: 9]. Moreover, Malays had left the agricultural workforce in large numbers and had been integrated into the urban economy: in 1990, 30.5% of Malay workers were employed in the secondary sector (mining, manufacturing, construction, utilities and transport) and 40.5% in the tertiary sector (wholesale and retail trade, finance, government and other services) [*ibid.*: 49]. During the NEP's lifespan, the country's annual average growth rate was an impressive 6.7% [*ibid.*: 21]. Although official statistics show that

the Malay share of corporate equity did not quite reach the targetted figure of 30%, some non-official statistics indicated that the figure in fact has been achieved [Malaysian Chinese Association, *Report of the MCA National Task Force* 1988: 32].

The NEP had provided an expanding pie within which Malays and Chinese realized benefits, albeit at different rates. Although the NEP presented unprecedented challenges to Chinese business interests, income levels within the community nonetheless increased steadily during the NEP's 20 year life span: Chinese mean monthly household income rose from RM\$394 in 1970 to RM\$1,582 in 1990. During the same period, the non-Malay (largely Chinese) share of corporate equity rose from 32.3% to 46.2% [Government of Malaysia, *The Second Outline Perspective Plan* 1991: 45, 49]. (However, the prosperity of the NEP years bypassed the Indians: their share of wealth in fact shrank slightly, from 1.1% to 1% between 1970 and 1992 [*Far Eastern Economic Review*, 21 December 1995].)

Although the NEP years were undoubtedly stressful times for the Chinese community, its political leadership succeeded in protecting most basic Chinese interests, despite setbacks represented by the National Culture Policy and the New Education Policy. These frustrations notwithstanding, and despite continuing unhappiness about being cut out of the political mainstream, the end of the NEP and its replacement by the National Development Policy (NDP) in mid 1991 has bred cautious optimism, particularly within Chinese business circles that better times might be in store.

While both the NEP and NDP declared that "national unity remains the ultimate objective of socio-economic development" [Government of Malaysia, *The Second Outline Perspective Plan* 1991: 3], from the Chinese perspective, the NDP appears less ethnically divisive and less alienating than the NEP, for several reasons. First, the NDP de-emphasizes income-redistribution and eschews numerical targets in equity ownership between Malays and non-Malays. It seeks to restructure society by "strengthening the capacities of the Bumiputera to effectively manage, own and operate businesses rather than on achieving specific numerical targets of equity restructuring and ownership" [*ibid.*: 4]. Second, income-raising policies are stressed over income redistribution. Third, it relies more on the private sector to create opportunities for growth. At the same time, Chinese political and business leaders were greatly encouraged by Mahathir's announcement in early 1991 of "Vision 2020," his economic blueprint which envisaged active Chinese participation in the transformation of Malaysia from "near NIC" (newly-industrialised country) status to fully developed country status by the year 2020. As the country needs to grow at an annual average rate of 7% over the next 24 years to achieve fully industrialized status by 2020 [*New Straits Times*, 2 March 1991], the Chinese business community is optimistic that Mahathir will not restrain, but rather maximize, the potential of their entrepreneurial energy.

Vision 2020: Malay Economic Nationalism Re-considered

When he succeeded Tun Hussein Onn as Prime Minister in 1981, Mahathir was known to Chinese as an “ultra” Malay nationalist who had led the UMNO rearguard attack on the Tunku’s accommodationist policies which benefitted Chinese economic interests during the 1960s. Mahathir’s “anti-Chinese” reputation was augmented by the 1970 publication of *The Malay Dilemma* which was banned in Malaysia until after he became Prime Minister. Termed by a biographer as the “definitive document of post-Merdeka pre-NEP Malay nationalism [Khoo 1995: 25], the book called for a wide range of intrusive state interventionist policies to address the problem of Malay economic backwardness and rejected outright any Chinese claims to political, linguistic and cultural parity with Malays.

Faced with an intra-UMNO challenge to his leadership mounted by Tengku Razaleigh Hamzah in 1987, Mahathir grew increasingly authoritarian. He successfully defeated his rivals by concentrating power in his own hands, by clipping the wings of the judiciary and by invoking the Internal Security Act to detain political opponents, social critics, and civil rights activists. Among the 106 detained were Chinese political leaders (8 from the MCA, 5 from the Gerakan and 16 from the DAP) and 3 Chinese educationists [Means 1991: 212]. These individuals were arrested in major part for their vociferous criticisms of his administration’s education policy, carried out by then Education Minister Anwar Ibrahim, to place non-Mandarin speaking Chinese as headmasters and administrators in Chinese national type primary schools.

Given Mahathir’s image as a radical Malay nationalist with an authoritarian bent, the pragmatic and accommodating tone of Vision 2020 surprised many Chinese opinion leaders. When he introduced Vision 2020 at the inauguration of the Malaysian Business Council to promote greater state backing for private sector initiatives in early 1991, Mahathir said he wanted Malaysia to be “a nation at peace with itself, territorially and ethnically integrated, living in harmony and in full and fair partnership made up of one *Bangsa Malaysia* [Malaysian nation]” [*New Straits Times*, 2 March 1991]. Apart from the emphasis given in the address to national unity and racial harmony (ideals which Malaysian Chinese had up to that point associated more readily with the Tunku’s leadership priorities), Chinese political observers were particularly struck by the unprecedented usage of the term *Bangsa Malaysia*. Malay leaders previously had employed the word *bangsa* within a chauvinistic Malay nationalist context to denote the Malay race or Malay nation (*Bangsa Melayu*). By widening the word’s connotation to embrace non-Malay membership, Mahathir appeared to be breaking from the convention of Malay nationalist exclusivity.

However, on closer examination, the liberal and pragmatic tone of the NDP does not represent such a radical departure from the NEP as actually carried out. While the NEP has been the most ambitious and unequivocal expression of Malay economic nationalism to date, it was conceived and implemented in such a manner that vital non-Malay economic and cultural interests continued to be accommodated. For example, the Industrial Coordination Act of 1976, the NEP’s key restructuring instrument which required foreign and non-Malay businesses to

divest at least 30% of their equity to Malay shareholders was amended in 1977 to make it less onerous on foreign and Chinese business interests. The amendment that benefitted Chinese businesses most was the exemption from Malay equity participation given to firms with less than RM\$500,000 in fixed investments from the ICA's equity requirements. Mahathir, who was then Deputy Prime Minister, stated: "I would like to re-iterate the Government's determination to implement the Act with pragmatism and the maximum of flexibility. You have my assurance that the Act will not be allowed to become a disincentive to private investment" [Jesudason 1989: 141]. After he became Prime Minister, Mahathir further liberalized the NEP in a successful attempt to reverse the fall-off in foreign and private sector investments during the recession of the mid 1980s. While most of the liberalization was aimed at export-oriented firms, some controls were also removed for small and medium Chinese businesses [*ibid.*: 187].

Although the NEP sought greater reliance on foreign, rather than local Chinese, investments to promote growth, this "ethnic by-pass" [Jomo 1994: 100] strategy did not retard the growth of Chinese capital, as shown earlier. At the same time, it should be noted that the NEP inevitably restricted opportunities for non-Malay economic advancement, especially for Chinese from lower income groups.

The Chinese community as a whole, however, made progress by successfully deploying "NEP by-pass" strategies. In the field of education, for example, Chinese companies established private colleges which ran "twinning programmes" to enable Chinese students who failed to gain admission to the country's universities to obtain tertiary education in the U.S., Britain, Australia and Canada. A successful example of this initiative is Kolej Damansara Utama in Selangor set up by the See Hoy Chan Corporation owned by the Teo family. As discussed earlier, the MCA established Tunku Abdul Rahman College to serve as a vehicle to help Chinese school graduates by-pass the NEP tertiary education roadblock. A little publicized but major accomplishment of Tan Siew Sin before he resigned as party president was his success in obtaining UMNO consent for the establishment of TAR College, and in getting the state to provide one dollar for every dollar raised by the MCA. Since its inception in 1975, TAR College has produced over 40,000 graduates and the party has embarked on an ambitious programme to build branch campuses in Penang and Johore [Malaysian Chinese Association, *Secretary-General's Report 1994*: 8].

In the field of business, the MCA has been less effective than individual Chinese businessmen in fashioning NEP by-pass strategies. Almost all Chinese entrepreneurs expanded their businesses by cultivating personal links with influential Malay powerholders in the UMNO, the bureaucracy and the Malay royalty [Heng 1992: 132-133]. Tycoons such as Robert Kuok (Kuok Group), Lim Goh Tong (Genting), Quek Leng Chan (Hong Leong Group), Vincent Tan (Berjaya Group) and Khoo Kay Peng (MUI Group) have relied heavily on Malay political patronage for access to licenses, contracts, permits and other opportunities essential for business diversification and expansion.

On other hand, the MCA's efforts in the early 1970s to organize an ethnically-based corporatization movement to meet the economic challenge represented by Malay-controlled

institutions such as Pernas (National Corporation) and UDA (Urban Development Authority) collapsed by the mid 1980s. Party president Lee San Choon led the initiative by urging under-capitalized Chinese family-based businesses to pool their resources and to transform themselves into modern corporations. Chinese Chambers of Commerce and Chinese associations were also exhorted to form investment arms to engage in business. To set an example, the MCA launched a holding company, Multi-Purpose Holdings Berhad (MPHB) in 1975. Under an aggressive acquisition drive managed by Tan Koon Swan, MPHB grew rapidly to become one of the largest corporations listed on the Kuala Lumpur Stock Exchange. However, it failed to weather the recession of the mid 1980s. In 1989, after a successful restructuring exercise led by Robert Kuok, who had responded to a SOS call from the party to save the company, party president Ling Liong Sik sold off the MCA share in MPHB to the Kamunting Group owned by T.K. Lim and his family.

While several reasons have contributed to the failure of the MCA's MPHB venture, including the destructive 20 month long leadership struggle between rival contenders Tan Koon Swan and Neo Yee Pan to succeed Lee San Choon as party president, a major factor was UMNO Youth's successful opposition to MPHB's attempt to acquire United Malayan Banking Corporation, then Malaysia's third largest bank [*ibid.*: 139]. While UMNO leaders accepted the fact that aspiring Malay entrepreneurs should avail themselves of the business acumen and financial resources of individual Chinese entrepreneurs, they were less receptive to the idea of a MCA-led commercial heavyweight competing with state-backed economic institutions.

Chinese Contributions to the Rise of the Malay Business Class

Malay economic nationalism has been essentially accomodating and flexible to Chinese business interests primary because UMNO leaders have regarded Chinese entrepreneurship as an asset rather than a liability in the country's industrialization drive. While the government has clearly played a leading role in promoting Malay welfare through state interventionist policies, the Chinese role in fostering the rise of the Malay business class has also been significant.

The nascent Malay commercial community in the period after independence emerged from opportunities created by rural development programmes carried out during the 1960s [Shamsul 1996a: 9]. These were largely construction projects for land resettlement schemes and rural transportation projects. Tenders and contracts won by UMNO politicians and other Malay leaders with access to the UMNO were sub-contracted to Chinese entrepreneurs who implemented the projects. These business partnerships, in which Malay partners/patrons served as sleeping partners and reaped rentier benefits, while Chinese partners/clients managed the business, are called "Ali-Baba" relationships.

During the NEP, Chinese entrepreneurs relied even more on their Malay business partners to gain access to business opportunities which came under the purview of state institutions. The most successful Chinese entrepreneurs were those with powerful Malay patrons; for example, Vincent Tan's meteoric rise was facilitated by his personal ties to Prime Minister

Mahathir and former Finance Minister Daim Zainuddin. For Chinese entrepreneurs, the Ali-Baba relation has helped them by-pass NEP-imposed hurdles and has enabled them to share in the country's economic development. For Malay partners in such Sino-Malay joint ventures, access to Chinese capital and business skills has enabled the most capable to become successful entrepreneurs on their own terms.

One of Mahathir's major objective under the NDP is to create a "viable and robust Bumiputera commercial and industrial community" [*New Straits Times*, 2 March 1991], i.e., to create a class of Malay entrepreneurs who are not rentier capitalists, who can operate successful businesses of their own, and who can participate as active and equal partners in joint venture enterprises. He has accelerated the government's privatization programme to sell off state-run enterprises, mainly to Malay entrepreneurs. However, a few Chinese businessmen have also been awarded privatization projects, and many more will benefit as minority partners or subcontractors to Malays with majority stakes in the businesses.

While privatization has been undertaken to reduce public sector waste and inefficiency, to wean Malays from the "subsidy mentality" and to reduce rent-seeking behaviour, some scholars are sceptical that the programme will achieve its desired results [Jomo 1994: ch. 5]. Scholars such as Ozay Mehmet [1988], James Jesudason [1989], Jomo K.S. [1994] and Edmund Gomez [1994] have argued that the objectives of social restructuring and income redistribution have been achieved at some costs. These include economic distortions, greater income disparities within the Malay community, the emergence of a "subsidy mentality" among Malays, the creation of a rentier capitalist Malay class, a higher incidence of corruption in public office, and an increasingly serious "money politics" problem within the UMNO. At the same time, the rapid pace of modernization has created social disruptions and problems of environmental degradation. Not all Malaysians have experienced substantial improvements in their standards of living, and more limits have been placed on personal freedoms.

Chinese Identity and Malay Hegemony

Defining "Chineseness" within the Malaysian context is a complex undertaking since the Chinese population is not a homogenous community, but one differentiated along linguistic, cultural and social lines. However, the conventional perception that the Chinese constitute a discrete ethnic community is widely accepted within Malaysia, even among the Chinese themselves. In the same manner that Malay scholars are able to identity "Malayness" based on the core attributes of "*bahasa, agama, raja*," so can one define "Chineseness" based on attributes transcending intra-ethnic cultural diversity.

Four dimensions characterize Chinese identity in contemporary Malaysia: (1) Confucian values and other elements of the Chinese cultural heritage; (2) language; (3) diet; and (4) adaptation to Malay hegemony.

As discussed earlier, Chinese immigrants in Malaysia had a strong cultural identity inherited from China's ancient civilization, one underpinned by Confucian teachings. For more

than 2,000 years, the Chinese state inculcated basic Confucian precepts pertaining to family relationships (for example, patriarchal authority, filial piety, ancestor worship, female subordination), self-cultivation based on education and ethical conduct, service to society, pursuit of harmony, respect for hierarchy and deference to authority. Adherence to such norms fostered a high level of uniformity across dialect, class and regional lines within the Chinese population who immigrated to Malaysia.

The Malaysian Chinese cultural heritage stems not only from Confucian roots but has been shaped by such religious traditions as Buddhism and Taoism, and more recently by Christianity and even Islam. However, whatever the specific religious individual beliefs of Malaysian Chinese, their Confucian heritage remains a core feature of their collective psyche.

Any discussion of Chineseness must recognise the central importance of the Chinese language as a major cultural anchor. Although Chinese in Malaysia speak many different dialects, and although some are not fluent in any dialect, having been educated in English and/or Malay, they have consistently placed high priority on Chinese schools and opportunities for education in Mandarin. Even English-educated non-Mandarin speaking Chinese political leaders must rigorously promote the cause of Chinese schools and Chinese education in order to win the Chinese vote. Although the Chinese have ceased to oppose the implementation of Malay as the sole medium of instruction in state-run post-primary educational institutions, they continue to be deeply anxious that the linguistic dimension of their cultural heritage, i.e., literacy in Mandarin, be passed on to succeeding generations.

In the everyday life of Malaysian Chinese, nothing sets them more clearly apart from the Malays than differences in dietary practices. Malaysian Muslims in recent decades have become increasingly rigorous in upholding Muslim dietary injunctions, notably those prohibiting the consumption of alcohol, pork products, and meat of animals not slaughtered in accordance with Islamic rites. There is also near universal Malay observation of Islamic fasting requirements during Ramadan. The stricter Malay adherence to Islamic religious norms has made the Chinese more aware of their ethnic distinctiveness. At the same time, they have had to accommodate themselves to this reality by making adjustments such as serving halal food to Malay guests and maintaining separate kitchens in public eating places.

Chinese cultural and political adaptation to the Malay hegemonic state calls into question the "Overseas Chinese" label widely used by scholars and journalists to describe the Chinese population located outside of China and Taiwan. The label is inappropriate because its implied point of reference is China-centric. While large numbers of Chinese in Malaysia identified strongly with China in the period before the Second World War, it is no longer the case today.

Few, if any, of the Chinese in Malaysia today would call themselves "Overseas Chinese." Instead, they identify themselves as Malaysians whose roots stretch back to China but whose loyalties as citizens are given exclusively to the Malaysian nation state. The metamorphosis to a Malaysian-centred citizenry began at the time of independence in 1957 and was accelerated during the NEP period. Chinese cultural indigenization has many manifestations, including widespread fluency in Malay, use of batik attire, coveting of Malay honorific titles and

appreciation of Malay cuisine. Observing the growing convergence of Malay and non-Malay cultures, MCA president Dr. Ling Liong Sik stated: "In these past years of nation-building, we have not become less Malay, or less Indian or less Chinese but we have all become more Malaysian " [Malaysian Chinese Association, *Secretary-General's Report 1993*: 9].

Responding to the reality that they live within a Malay hegemonic state, the Chinese have absorbed cultural elements previously considered the exclusive preserve of Malays. Of the three attributes of "Malayness" discussed in the opening section of this paper — Malay rulers, the Malay language, and Islam — only Islam has remained clearly outside the experience of most Chinese. Sultans now accept Chinese as loyal subjects and confer honorific titles and awards to Chinese public figures, and members of royal families participate as partners and patrons in Chinese businesses. At the same time, increasing numbers of Chinese are becoming as fluent in Bahasa Malaysia as Malays. For their part, the Chinese qualities discussed above — i. e., Confucian values, the Chinese language, and dietary practices — are likely to remain distinctive Chinese attributes of little salience to the majority Malay population.

Future Prospects

As the country moves into a new phase of economic national policy and into the twentieth century, it is unclear what lies ahead for Chinese political and economic life. There are, however, three plausible scenarios that deserve particular attention: (1) increased Islamization, (2) economic downturn or (3) continued economic dynamism. The first two scenarios would have a deeply unsettling impact on Sino-Malay relations. While Malaysian Chinese may not like government policies inspired by Malay cultural and economic nationalistic impulses, they have learnt to deal with them. However, it is doubtful they would be as accommodating to a Malay religious radicalism that seeks to subsume all public policies under the Islamic banner.

The reasons for the resurgence of Islamic piety in Malaysia are complex, and it is outside the scope of this paper to examine them. If, according to Shamsul A.B., the potency of Islam's appeal to Malay religious revivalists stems from its status as the last bastion of "Malayness" [Shamsul 1996b], and if that appeal is translated into policies expressing Malay dominance, then future prospects for inter-ethnic harmony in Peninsular Malaysian are not bright.

Few Chinese have converted to Islam and almost all would reject the establishment of an Islamic state in Malaysia. Although the UMNO has responded to the pressures of the Islamic opposition by introducing Islamic elements into public policies — as evidenced by the establishment of an Islamic university and Islamic bank — and a closer foreign policy alignment with the Islamic World, UMNO leadership has eschewed a doctrinaire rigidity harmful to the legitimate interests of non-Muslims. From the Chinese perspective, the worst case scenario would be if UMNO pragmatism is overcome by Islamic doctrinaire fundamentalism, whether by PAS or by other Islamic revivalist groups that have gained ground within the Malay community in the last 20 years. The Islamicizing mission of the PAS state government in Kelantan since 1990 has resulted in stronger Chinese political support for the

existing secular UMNO-dominated political system.

The second development — a prolonged recession in the country — would also be very problematic for Sino-Malay relations. The NEP succeeded primarily because the country's robust growth rates ensured that there was a large enough surplus in national wealth for both Malays and Chinese to move forward. The threat to inter-ethnic relations posed by a deteriorating economy became evident during the mid 1980s when the country's economy went into a recession. During those years, the psychological and actual impact of the NEP became more onerous for the Chinese. Ethnic tensions became more palpable and Chinese capital flight increased sharply.

The third scenario represents what virtually all Chinese (and other Malaysians) wish to see: a continuation of successful economic growth. After having been forced to lower their horizons by the NEP, the Chinese are hopeful that, as long as a secular, pragmatic and growth-oriented Malay leadership — exemplified by the former and present generation of UMNO leaders — controls the reins of power in Malaysia, fundamental Chinese concerns and aspirations will continue to be accommodated.

Though it belies the foreign image of Malaysia as a country hobbled by internal ethnic divisions, Chinese and Malays have demonstrably been drawn closer by a productive and dynamic symbiosis. This relationship, in both its political and economic dimensions, is based on mutually beneficial ties forged between the Chinese and Malay ranks of the fast growing middle class. Further strengthening of shared values and a sense of common destiny in conditions of steadily expanding prosperity would inevitably render communal politics in Malaysian less important.

The fondest, and perhaps naive, hope held by many Chinese is that Sino-Malay bonds may one day be strong enough for Malays to invite them to participate as co-equals in the twenty first century political life of Malaysia.

References

- Cheah Boon Kheng. 1983. *Red Star over Malaya: Resistance and Social Conflict during and after the Japanese Occupation, 1941-1946*. Singapore: Singapore University Press.
- Faaland, J., et al. 1990. *Growth and Ethnic Inequality: Malaysia's New Economic Policy*. Kuala Lumpur: Dewan Bahasa dan Pustaka.
- Far Eastern Economic Review*, 4 May 1995, 21 December 1995.
- Gomez, E. T. 1994. *Political Business: Corporate Involvement of Malaysian Political Parties*. Townsville: James Cook University of North Queensland.
- Government of Australia, Department of Foreign Affairs and Trade. 1995. *Overseas Chinese Business Networks in Asia*. Canberra: Department of Foreign Affairs and Trade.
- Government of Malaysia. 1976. *The Third Malaysia Plan 1976-1980*. Kuala Lumpur: Government Press.
- _____. 1991. *The Second Outline Perspective Plan 1991-2000*. Kuala Lumpur: National Printing Department.
- _____. Department of Statistics. 1995. *General Report of the Population Census*. Kuala Lumpur: Department of Statistics.
- Heng Pek Koon. 1988. *Chinese Politics in Malaysia: A History of the Malaysian Chinese Association*. Singapore: Oxford University Press.

- _____. 1992. The Chinese Business Elites of Malaysia. In *Southeast Asian Capitalists*, edited by Ruth McVey. Ithaca: Cornell University Press.
- Jesudason, James, V. 1989. *Ethnicity and the Economy: The State, Chinese Business and Multinationals in Malaysia*. Singapore: Oxford University Press.
- Jomo, K. S. 1994. *U-Turn? Malaysian Economic Development Policy after 1990*. Townsville: James Cook University of North Queensland.
- Khoo Boo Teik. 1995. *Paradoxes of Mahathir: An Intellectual Biography of Mahathir Mohamad*. Kuala Lumpur: Oxford University Press.
- Loh Kok Wah. 1982. *The Politics of Chinese Unity in Malaysia: Reform and Conflict in the Malaysian Chinese Association, 1971-1973*. Singapore: Maruzen Asia.
- Malaysian Chinese Association. 1988. *Report of the MCA National Task Force on Deviations in Implementation of the New Economic Policy (NEP)*. Kuala Lumpur.
- _____. *Secretary-General's Report 1993*.
- _____. *Secretary-General's Report 1994*.
- Means, G. P. 1976. *Malaysian Politics*. London: Hodder and Stoughton, 2nd. edition.
- _____. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press.
- Mehmet, Ozay. 1986. *Development in Malaysia: Poverty, Wealth and Trusteeship*. London: Helm Croom.
- New Straits Times*, 2 March 1991.
- Purcell, V. 1967. *The Chinese in Malaya*. Kuala Lumpur: Oxford University Press.
- Puthuchear, J. J. 1960. *Ownership and Control in the Malayan Economy*. Singapore: Eastern Universities Press.
- Pye, Lucien W. 1985. *Asian Power and Politics: The Cultural Dimensions of Authority*. Cambridge, Mass.: Belnap Press of Harvard University Press.
- Ratnam, K. J. 1965. *Communalism and the Political Process in Malaysia*. Kuala Lumpur: University of Malaya Press.
- Redding, Gordon, S. 1993. *The Spirit of Chinese Capitalism*. Berlin and New York: Walter de Gruyter.
- Shamsul A. B. 1996a. The Malay New Rich: A Comment on the Origin and Formation of a Social Class. Paper presented at the Institute of Developing Economies, Tokyo, 13 March 1996.
- _____. 1996b. Global Faiths, Local Expressions: Nationalism and Islamic Revivalism in Malaysia. Paper presented at the International House of Japan, Tokyo, 15 March 1996.
- Slimming, J. 1969. *Malaysia: Death of a Democracy*. London: John Murray.
- Tunku Abdul Rahman Putra. 1977. *Looking Back: The Historic Years of Malaya and Malaysia*. Kuala Lumpur: Pustaka Antara.
- Vasil, R. K. 1972. *The Malaysian General Election of 1969*. Singapore: Oxford University Press.
- Wang Gung Wu. 1966. Traditional Leadership in a New Nation: The Chinese in Singapore and Malaysia. In *The Cultural Problems of Malaysia in the Context of Southeast Asia*, edited by S. T. Alisjahbana. Kuala Lumpur: Malaysian Society of Orientalists.